Australian Government
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Intralink

China Healthcare Market: An Introduction

2021

FOREWORD

With its aging population, continued economic growth, and the rapid expansion and digitization of its healthcare system, the Chinese healthcare market offers a range of opportunities for Australian businesses.

The recent 14th Five-year Plan and the Healthy China 2030 strategy have both emphasized the importance of investing in the future development of the healthcare sector in China. The importance the Chinese government has placed on the development of the sector has seen national healthcare expenditure increase fourfold over the last decade to top USD 1.1 trillion in 2020 and account for over 7% of total GDP.

With its strong capabilities in health services, medtech and biotech, digital health and health consumer products, the Australian healthcare sector is well placed to take advantage of the opportunities presented by this growing market.

As always, we encourage Australian companies to weigh up the commercial risks and benefits of entering the market before doing so, and to seek advice from Austrade and other third party professionals to help in their decision making.

We hope that this report, produced in partnership with Intralink, provides Australian companies with a better understanding of China's healthcare sector such that they may be able to harness future opportunities that exist in the market.

If you are an Australian registered business and are seeking additional support in the Chinese market, the Austrade Greater China Health Team are here to help.

Rhett Miller
Trade and Investment Commissioner (Greater China) (Health)
Australian Trade and Investment Commission

ABOUT AUSTRADE

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We deliver quality trade and investment services to businesses to grow Australia's prosperity. We do this by generating and providing market information and insights, promoting Australian capability, and facilitating connections through our extensive global network.

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ABOUT INTRALINK

Intralink is an international business development and innovation consultancy specialising in East Asia. The firm's mission is to make commercial success in new global markets fast, easy and cost effective.

Intralink has 100 multilingual employees, a 30 year track record and offices in South Korea, Mainland China, Japan, Taiwan, the UK, the United States, France, Poland and Australia.

The company helps western businesses to expand in East Asia, Asian companies to collaborate with western innovators, and governments from around the world to grow their exports and attract foreign direct investment.

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Intralink is the proud winner of the UK's Queen's Awardfor Enterprise and the US's President's E Award for Export Service for helping companies develop their international business growth.

For more information, visit www.intralinkgroup.com or email enquiries_china@intralinkgroup.com

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GLOSSARY

BMHC	Beijing Municipal Health Commission
BMTCMA	Beijing Municipal Tcm Administration
CBP	Centralized Bidding Procurement System
CSO	Contracted Service Organisations
DAL	Drug Administration Law
DRG	Diagnostic-related Groups-based Hospital Payment System
GPO	Group Purchasing Organisations
JV	Joint Venture
MOH	Ministry Of Health
NDRC	National Development And Reform Commission
NMPA	National Medical Products Administration
OPD	Outpatient Department
TCM	Traditional Chinese Medicine
YOY	Year-on-year

CHINA'S HEALTHCARE SYSTEM: AN OVERVIEW

Healthcare in China: Key Numbers

China's burgeoning healthcare market continues to grow rapidly, driven by high economic growth, an aging population, increasing digitization, significant regulatory reforms and the expansion of health insurance. Figure 1 provides a snapshot of some key numbers from China's healthcare market.

Figure 1: Healthcare in China – Key numbers

Ageing Population

- **18% & 12.5%** = % of population over the age over 60 & 65 (2019)
- **77.3** = life expectancy in years
- **1.69** = fertility rate

Strong Healthcare Infrastructure

- **34,354 & 954,390** = number of hospitals & grassroots healthcare units (2019)
- **6.3** = hospital beds per 1,000 population
- **12.8 million** = number of clinical workers in China
- **8.7 billion** = number of in-patient/out-patient visits in 2019

Sizeable Market

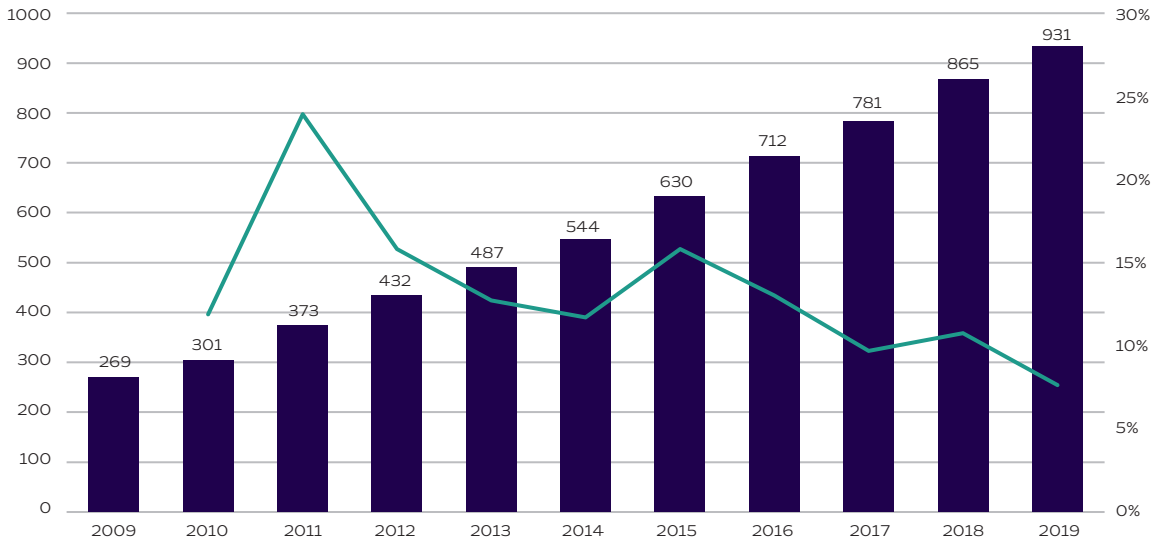
- **1400.05 million** = total population, excluding Hongkong, Macau (2019)
- **$931 billion** = total healthcare expenditures in 2019 (USD)
  - **26.7%** government subsidy,
  - **44.9%** social security allocations,
  - **28.4%** out-of-pocket
- **6.6%** = total healthcare expenditure as % of GDP(OECD average is 8.8%)
- **$656** = health spending per capita in 2019 (USD)
- **$81.6 billion** = size of medical device market (USD)

Source: Intralink (2020)

Healthcare Expenditure

Healthcare expenditure in China has increased substantially over recent years, growing from USD 250 billion in 2009 to USD 931 billion in 2019. Based on a total global health expenditure of USD 8 trillion in 2019, China accounts for roughly 13 percent of global health expenditure, behind the US (USD 3.6 trillion) and the EU (2 trillion). Figure 2 provides an overview of the growth in healthcare expenditure in China.

Figure 2: Healthcare expenditure in China



Source: Intralink (2020)

Total Number of Healthcare Services

In January-November 2019, healthcare facilities in China discharged over 232m patients, including 153m from public hospitals (+4.3% YoY), 31m from private hospitals (-0.2% YoY), and 37m from primary facilities (-1.5% YoY). Table 1 provides an example of the total number of services provided by healthcare facilities in four major areas in China between January and November 2019.

Table 1: Total Number of Services Provided by Hospitals and Township Healthcare Facilities in Beijing, Shanghai, Guangdong and Sichuan (Jan-Nov 2019)

LOCALITY	HOSPITALS		TOWNSHIP HEALTHCAR EFACILITIES	
	Patients Served (10k)	Patients Discharged (10k)	Patients Served (10k)	Patients Discharged (10k)
Beijing	13889.2	332.3	—	—
Shanghai	15466.7	410 . 9	—	—
Sichuan	19991.4	1254.8	8723.5	434.3
Guangdong	36525.6	1331.7	6587.8	169.4

Source: National Health Commission

Healthcare Facilities In China

As of March 2020, China had over 1m healthcare facilities, including 12k public hospitals, 22kprivate hospitals and 956k primary facilities. Table 2 provides an overview of the number of healthcare facilities in four major areas in China – Beijing, Shanghai, Guangdong and Sichuan.

Table 2: Total Number of Healthcare Facilities in China

LOCALITY	TOTAL	HOSPITALS	PRIMARY FACILITIES	SPECIALITY FACILITIES	OTHER
Beijing	10377	667	9452	108	150
Shanghai	5595	379	5013	108	95
Guangdong	53831	1635	50960	1043	193
Sichuan	83708	2405	80472	705	126

Source: National Health Commission

CLASSIFICATION & ESTABLISHMENT OF HEALTHCARE FACILITIES IN CHINA

CLASSIFICATION OF HEALTHCARE FACILITIES IN CHINA

Classification by Purpose

According to the *Implementation Opinions on the Classified Administration of Rural and Township Healthcare Facilities,* healthcare facilities in China are classified as either for-profit or non-for-profit, depending on their purposes and services, as well as the fiscal, taxation, pricing policies and accounting standards applicable to them.

NON-FOR-PROFIT FACILITIES

Non-for-profit healthcare facilities are defined as facilities established and operated for the benefits of the public, not for the purpose of seeking profit. These facilities use their revenues to fund the cost of providing health-care services. Any surplus must be used to facilitate their own development, including improving care capabilities, introducing new technologies and launching new services.

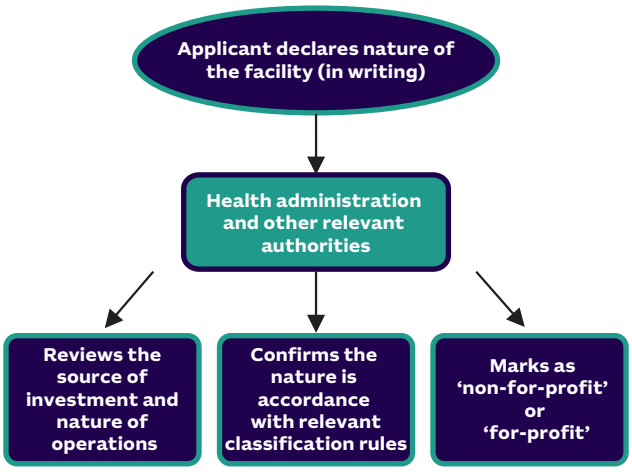
Non-for-profit healthcare facilities sponsored by the government mainly provide basic medical services, but also carry out other tasks as instructed by the government. Non-for-profit healthcare facilities not sponsored by the government mainly provide basic medical services.

Both types of facilities sometimes also provide some non-basic medical services. Non-for-profit healthcare facilities sponsored by the government receive funding from local government, while other non-for-profit facilities do not enjoy fiscal support. Non-for-profit healthcare facilities must comply with the government's pricing guidance for medical services and are entitled to favourable tax treatment.

FOR-PROFIT FACILITIES

For-profit healthcare facilities seek to generate shareholder return through the provision of healthcare services. The government does not sponsor any for-profit healthcare facilities. These facilities make independent decisions on the services that they provide based on market demand. They are free to determine their own prices – they run their operations independently and pay taxes as required under law. Figure 3 below outlines the approval, registration or verification process for healthcare facilities, as outlined in the *Regulation of Healthcare Facility*.

Figure 3: Approval, Registration & Verification Process for Healthcare Facilities in China



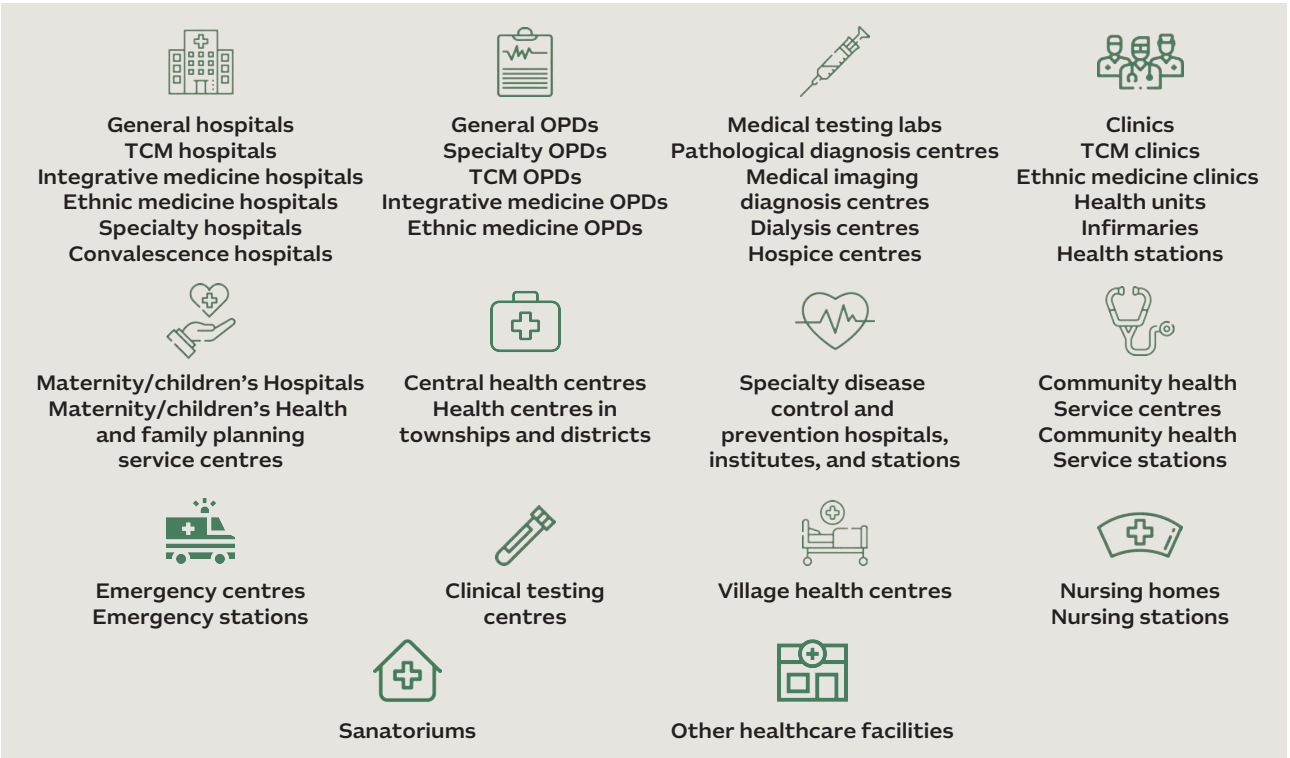
Source: National Health Commission

For-profit facilities that have obtained a *License to Practice Healthcare* are also required to complete registration with the relevant industry & commerce administration and taxation authorities. In the event that facilities want to change the nature of their operations, the facility must obtain approval from the health administration that issued the original license.

Classification by Service Type

The authorities classify healthcare facilities in China into roughly a dozen categories, each with individual subcategories. Figure 4 provides a graphical representation of the various types of facilities.

Figure 4: Types of healthcare facilities in China



Source: National Health Commission

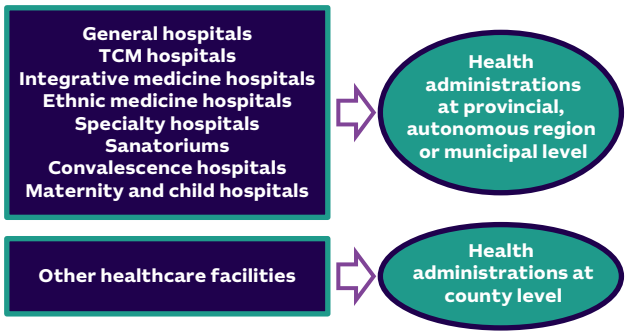
ESTABLISHMENT OF HEALTHCARE FACILITIES IN CHINA

To establish a healthcare facility in China, entities or individuals must seek initial approval from local health administrations at county level or above and obtain a *Certificate of Approval*, before taking the process further with other government bodies. The establishment of special healthcare facilities that are planned at national level, such as the emergency hospitals established during the Covid-19 pandemic, must be approved by the health administration of the State Council.

Government agencies, corporations and quasi-government entities that intend to set up outpatient services, clinics and health centres primarily for the purpose of serving their own employees need to apply to the local health administration at county level. All healthcare facilities, regardless of their category, ownership, affiliation or population served, must comply with the *Healthcare Facility Establishment Plan* of the local government.

Figure 5 provides an overview of the relevant approval body for each type of healthcare facility. Note that the establishment of medical testing labs, pathological diagnosis centres, medical imaging diagnosis centres, dialysis centres and hospice centres is mandated by separate approval authorities – it is also defined by separate regulations.

Figure 5: Approval body per healthcare facility type



Source: National Health Commission

Rules regarding the establishment of healthcare facilities vary per origin of the applicant. Foreigners and residents of Hong Kong, Macau and Taiwan setting up healthcare facilities in Mainland China are subject to regulations separately formulated by the health administration of the State Council. Approval processes and approval bodies also differ per region within China.

For example, the establishment of healthcare facilities in Beijing (including hospitals wholly owned by Hong Kong, Macau and Taiwan residents) is regulated by the Beijing Municipal Health Commission (BMHC), which specifies that:

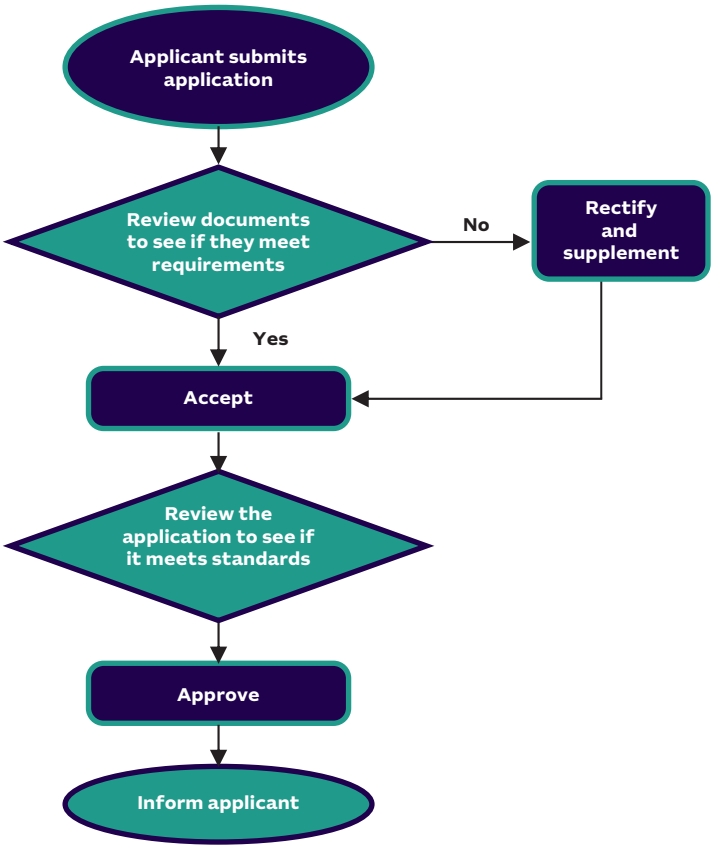
- The establishment of China-foreign contractual or equity joint venture (JV) healthcare facilities, facilities owned by Hong Kong- and Macau-based service providers, facilities with "centre/central" in their names, medical testing labs, facilities not covered by State Council standards, as well as general hospitals, specialty hospitals, convalescence hospitals and sanatoriums with over 100 beds should be approved by health administrations at district or county level before being submitted to the BMHC for approval.

- The establishment of China-foreign contractual or equity JV traditional Chinese medicine (TCM) facilities, TCM facilities owned by Hong Kong- and Macau-based service providers, TCM facilities with "centre/central" in their names, as well as TCM facilities (including general TCM hospitals, specialty TCM hospitals, integrative medicine hospitals and ethnic medicine hospitals) with over 100 beds should be approved by health administrations at district or county level before being submitted to the Beijing Municipal TCM Administration (BMTCMA) for approval.

- The establishment of other healthcare facilities should be approved by health administrations at district or county level, which will issue a *Certificate of Approval for Establishing Healthcare Facilities*, before being submitted to BMHC for approval (or to BMTCMA, if they are TCM, integrative medicine or ethnic medicine facilities).

  Figure 6 provides an overview of the process of establishing a healthcare facility in China.

Figure 6: Process of establishing a healthcare facility in China – Beijing example



Source: Beijing Municiple Health Commission

CLASSES & LEVELS OF HEALTHCARE FACILITIES IN CHINA

HOSPITAL CLASSES & LEVELS

According to the *Rules on Graded Management of Hospitals (Tentative)* and *Rules on Grading Healthcare Facilities*, hospitals in China need to be designated as Class I, II or III institutions.

These three classes are further divided into three subsidiary levels: A, B and C, plus a special level reserved for Class III hospitals (IIIAAA), resulting in a scheme of three classes and ten levels, as defined under the *Rules on Graded Management of Hospitals*.

GOVERNING BODIES

The recognition and governance of hospitals in China differs per hospital class. Table 4 provides an overview of the governing bodies per hospital class.

Table 3: Classes of healthcare facilities in China

CLASS	DEFINITION
Class I	Primary facilities that provide disease prevention, treatment, care and convalescence services to communities within a certain population size
Class II	District-level facilities that provide comprehensive healthcare services to multiple communities while conducting certain teaching and research activities
Class III	Facilities at district or higher levels that provide sophisticated specialty healthcare services to multiple districts and carry out advanced teaching and research activities. Hospitals sponsored by corporations, government agencies, collectives and individuals are graded against similar criteria

Source: National Health Commission

Table 4: Recognition & governing bodies per hospital class

HOSPITAL CLASS	GOVERNING BODY
IIIAAA hospitals, emergency centres and clinical testing centres at provincial or higher levels	Panel of peer institutions organized and led by the Ministry of Health (MOH)
Class III hospitals, Class II and III maternity and child hospitals, sanatoriums, specialty disease prevention and control facilities at provincial level and clinical testing centres at municipal level	Panel of peer institutions organized and led by health administrations at provincial level
Class II hospitals and convalescence hospitals	Health administrations at provincial level
Class I maternity and child hospitals,district-level maternity and child hospitals, municipal specialty disease prevention and control facilities, emergency stations and nursing homes	Panel of peer institutions organized and led by health administrations at municipal level
Class I hospitals, health centres, countylevel specialty disease prevention and control facilities, outpatient departments (OPDs), clinics, village health centres, infirmaries, health units, nursing stations and health stations	Panel of peer institutions organized and led by health administrations at county level

Source: National Health Commission

MEDICAL INSURANCE QUALIFICATION FOR HEALTHCARE FACILITIES IN CHINA

In 2015, China revoked the rule that required healthcare facilities to be qualified by local social insurance administrations before being able to access medical insurance.

This move aimed to transform the way administrative powers are exercised, create an open and transparent market environment, and encourage all healthcare facilities, regardless of their ownership, hospital class and levels, to compete on equal footing.

After the revocation, all duly established healthcare facilities can submit applications directly to local medical insurance authorities. Applications must include information on the scope, scale, quality, characteristics and prices of the facility's services. Healthcare facilities are also required to provide local authorities with all necessary assistance during the review. Based on the review and taking into account medical resource allocation considerations, the facilities' service capabilities and characteristics, the medical insurance fund's reimbursement capacity, IT infrastructure readiness and the interest of insurance beneficiaries, local authorities will then negotiate and sign agreements directly with the healthcare facilities.

CHINA'S HEALTH POLICY

Healthy China 2030: Vision & Objectives

VISION

China's health policy is currently by the *Healthy China 2030* plan – a blueprint released in 2019 by the state council that outlines the government's long-term healthcare vision.

The plan outlines its vision as "Health for All and All for Health". This vision can be broken down into two parts:

1. ***"All for Health" – the fundamental path to building a healthy China***

2. ***"Health for All" – the ultimate purpose of the initiative***

OBJECTIVES & PRIORITIES

The *Healthy China 2030* plan outlines the following broad strategic goals:

"By 2020, China will create a basic health system with Chinese characteristics covering all urban and rural residents, under which health literacy continues to improve; a sound and efficient network of health services is in place; everyone has access to basic healthcare and fitness services; a diverse and well-balanced matrix of health industries has been formed; and China is ranked among the top in upper middle-income countries in terms of key health indicators."	**2020**
"By 2030, China will have a more sophisticated health system for all, under which various health-related areas develop in coordination; healthy lifestyles are commonly adopted; healthcare quality and medical insurance protection continues to improve; health industries thrive; equality in health is substantially achieved and China is at par with high-income countries in terms of key health indicators."	**2030**
"By 2050, China will be a healthy society, as part of its vision to build a 'modern socialist country'."	**2050**

Source: The State Council - Healthy China 2030 Outline

To achieve the aforementioned goals, the *Healthy China 2030* plan has outlined five specific objectives, as outlined in Table 5 below.

Table 5: Healthy China 2030 – Key objectives

KEY OBJECTIVE	DEFINITION
1. Continuous improvement in people's health	People will enjoy much stronger health, with an average life expectancy of 79 years and much longer healthy life expectancy by 2030
2. Effective control of major health risks	Health literacy of the population will be significantly enhanced; healthy lifestyles will be widely adopted; people will work and live in an environment conducive to their health; food and drug safety will be ensured; and a host of major diseases will be eliminated
3. Increase in healthcare capacity	An excellent, efficient system of integrated healthcare and a sound system of fitness services for all will be established; medical insurance protection will be further improved; China will lead the world in health technology innovation; and the overall sophistication and quality of health services will be greatly enhanced
4. Expansion of health industries	An all-rounded and well-balanced matrix of health industries will be developed, including a group of large corporations with strong innovation capabilities and global competitiveness, so that these industries can become pillars of China's economy
5. Further improvement in health-promoting institutions	Policies, laws and regulations promoting health will be enhanced even further. The governance system and governance capacity in relation to health will be modernized

Source: The State Council - Healthy China 2030 Outline

The plan is further broken down into 14 individual priorities, as outlined in Table 6 below.

Table 6: Healthy China 2030 – Priorities

PRIORITIES	DEFINITION
1. To enhance health education	- Improve the health literacy of everyone by stepping uphealth education in schools
2. To encourage healthy habits	- Proper diet, limit tobacco and alcohol consumption, mental health, reduce unprotected sex, ban illicit drug use
3. To improve health conditions for all	- Universal access to fitness services, combine fitness exercise with medical treatment - Strengthen non-medical interventions; health intervention programs for special groups
4. To strengthen pubic health services for all	- Prevention and treatment of major diseases - Improve the framework for family development - Promote equal access to basic public health services
5. To provide excellent and efficient medical services	- Improve the medical service system; innovate the way medical and healthcare services are provided - Increase the sophistication and quality of medical services
6. To leverage the unique strengths of TCM	- Enhance the service capabilities of TCM; support wellness through TCM - Drive the preservation and innovation of TCM heritage
7. To strengthen health services for key groups	- Including pregnant women and children, seniors and persons with disabilities
8. To develop a sound medical insurance system	- Improve universal coverage of medical insurance - Strengthen medical insurance governance and services - Drive the growth of private medical insurance
9. To ensure sufficient supply of drugs	- Reform the distribution of drugs and medical devices - Policy on basic drugs; easy access to drugs for rare diseases; easy access to drugs for children
10. To wage a "Patriotism through Hygiene" campaign	- Comprehensive environmental governance in urban and rural areas (sewage, waste, running water, toilets)
11. To address environmental issues	- Pollution controls (air, water and soil pollution, as well as industrial discharges)
12. To protect food and drug safety	- Food and drug safety regulation (reforming the approval process for drugs and pharmaceutical companies)
13. To develop healthcare industries	- Drive the participation in healthcare by diverse players - Develop new formats of health services; foster fitness and leisure sport industries; facilitate growth of the pharmaceutical industry
14. To develop healthcare industries	- Drive the participation in healthcare by diverse players - Develop new formats of health services; foster fitness and leisure sport industries; facilitate growth of the pharmaceutical industry

Source: The State Council - Healthy China 2030 Outline

To measure progress against the objectives outlined under the *Healthy China 2030* plan, the government has also set indicators for success. The government has allocated specific targets for each these indicators in 2015, 2020 and 2030. *For further details on these targets, please refer to Appendix A. For more details on health policies released in China since 2015, please refer to Appendix B.*

MEDICAL INSURANCE IN CHINA

China's Social Security System & Medical Insurance Framework

SOCIAL SECURITY SYSTEM

China's social security system consists of five components:

1. *Pension*
2. *Medical insurance*
3. *Unemployment insurance*
4. *Work-related injury insurance*
5. *Maternity insurance*[1]

MEDICAL INSURANCE FRAMEWORK

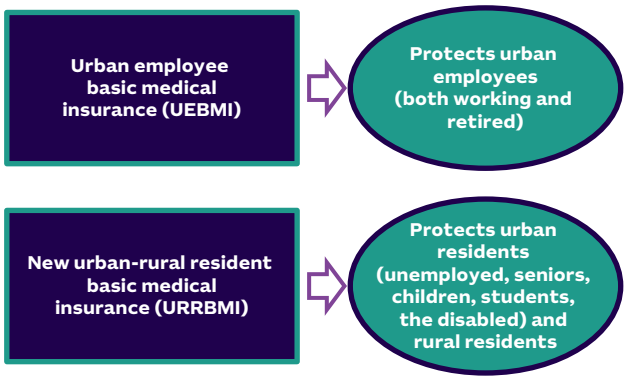
COMPONENTS

The current medical insurance system in China is a multi-layered one with basic medical insurance at its core, alongside other supplementary insurance and private insurance schemes. The available insurance schemes include:

1. *Basic medical insurance: a universal basic medical insurance scheme, which plays a central role in the system*
2. *Supplementary insurance: includes supplementary insurance for public servants and corporate employees*
3. *Catastrophe insurance: an arrangement that provides supplementary compensation after reimbursement from basic medical insurance for patients who have incurred a large sum of medical expenses due to major diseases defined in relevant policy. The scope of these diseases is determined by each province or city*
4. *Medical assistance: provides assistance to low-income families and individuals living on benefits, as well as to severely ill patients whose conditions bring their family into poverty*
5. *Private insurance*

China's basic medical insurance is a nationwide comprehensive scheme covering all residents. This consists of two components, as outlined in Figure 7 below.

Figure 7: Components of medical insurance scheme in China



Source: The State Council - Opinion Paper on Basic Medical Insurance System

[1] **Incorporated into the Employee Basic Medical Insurance in 2019.**

MEDICAL INSURANCE CONTRIBUTIONS

The level of medical insurance contributions relative to an employee's monthly salary differs between UEBMI and URRBMI. Table 7 below provides a comparison.

Table 7: Contributions to basic medical insurance in China

	UEBMI	URRBMI
Contributors	Employers and employees contribute to medical insurance premiums	Contributions come from both individuals and the fiscal budget
Contribution level	- Employers pay 5-12% of the employee's monthly salary - Employees pay 2% - The employee's contribution stops after retirement	- A national minimum contribution level is set, but provinces and municipalities may add an increase to that level - National minimum contributions: RMB 550 per capita from fiscal budget (2020) - RMB 280 per capita from individuals (2020)
Contribution method	Automatically deducted from the employee's payroll by the employer on mandatory basis	Paid by the insurant on voluntary basis

Source: National Health Security Administration

As mentioned in Table 7 above, while there is a national minimum contribution for URRBMI, provinces and municipalities may decide to increase the level of contribution. *For examples of contributions per capita in Beijing and Shanghai, please refer to Appendix C.*

Basic Medical Insurance Benefit Payments

SCOPE OF PAYMENTS

The basic medical insurance fund is used to reimburse medical expenses incurred by beneficiaries when seeking services from healthcare facilities.

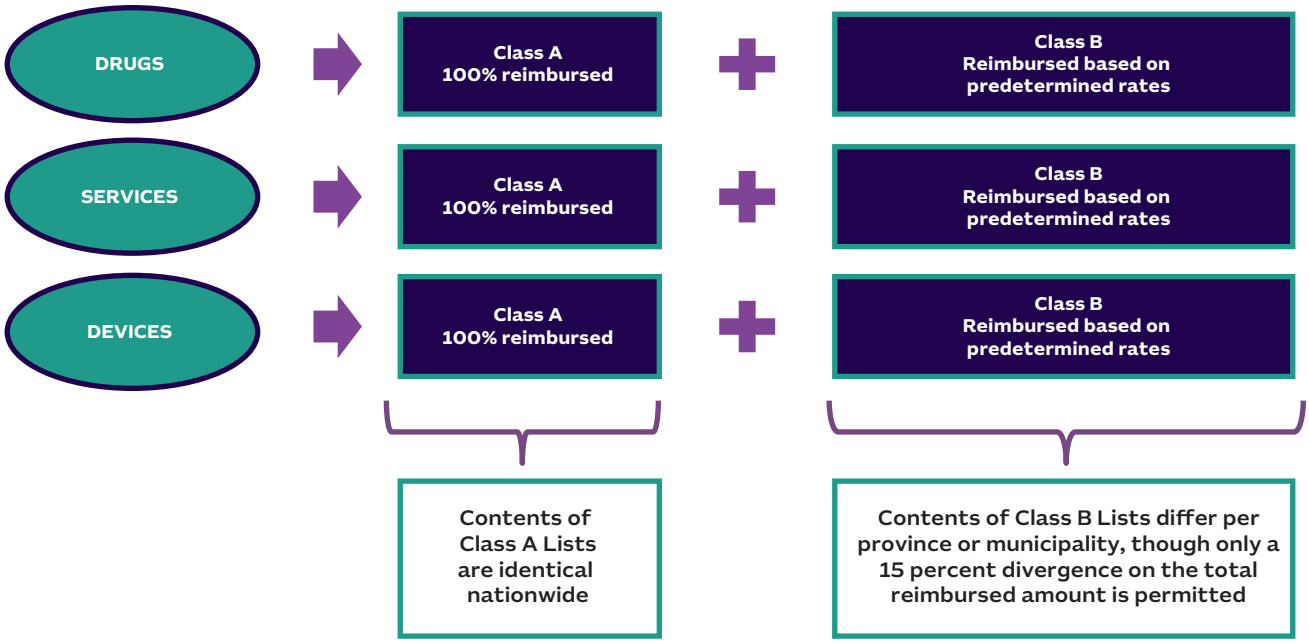
In the 15 regions included in the long-term care pilot program, the basic medical insurance fund can also be used to pay for long-term care. After the Covid-19 outbreak in early 2020, local governments have also been considering integrating public health services and basic medical insurance by pooling together their funds for future use.

REIMBURSEMENT SYSTEM

COVERED SERVICES

China's Basic Medical Insurance system operates on a reimbursement mechanism. The government has outlined a list of products and services covered by medical insurance (similar to the Medicare list in Australia), although the list of covered services and their reimbursement rates varies between different risk levels (also termed 'risk pools'). All insured individuals under a certain risk pool area are subject to the same reimbursement policy – this policy may include limitations such as deductibles, caps, covered services and reimbursement rates. Figure 8 provides an overview of the structure of the covered services and expenses in the list.

Figure 8: Medical insurance Coverage list



Source: National Medical Products Administration

All products and services not included in the list are not reimbursed and must be paid out-of-pocket by the individual. Expenses not covered by basic medical insurance include:

1. *Medical expenses arising from work-related injuries (reimbursed by work-related injury insurance)*
2. *Costs that should be paid by third parties or from the public health budget*
3. *Cost of overseas healthcare services*

MEDICAL EXPENSE REIMBURSEMENT

Medical expenses incurred at designated healthcare facilities (i.e. facilities with access to medical insurance coverage) are shared by the medical insurance fund and by the patients – as per the relevant reimbursement policy. This includes costs incurred at public, private and TCM facilities. Medical expenses at non-designated healthcare facilities (i.e. facilities without access to medical insurance coverage) are fully paid by the patient.

Reimbursement rules for OPD expenses vary among different provinces and municipalities and different insurance schemes. *For examples of OPD reimbursement rules for UEBMI and URRBMI in Beijing and Shanghai, please refer to Appendix D.*

DRUG REIMBURSEMENT

Drug expenses incurred at designated hospitals/pharmacies (i.e. facilities with access to medical insurance coverage) are reimbursed as per the *List of Drugs Covered by Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance*. Drugs are divided into two classes:

1. *Class A drugs, which are fully reimbursed*
2. *Class B drugs, which are partially reimbursed based on predetermined rates*

Drug expenses incurred at non-designated hospitals/pharmacies (i.e. facilities without access to medical insurance coverage), are fully paid by the patients.

PROCUREMENT OF SERVICES & PRODUCTS

Procurement Processes in China

Procurement processes for medical products and services in China vary significantly between public and private healthcare institutions. Private sector procurement processes primarily rely on vendors engaging hospital procurement departments directly. This is quite straightforward compared to public sector processes. Table 8 provides a comparative overview of the four methods of public procurements generally recognized by the Chinese government.

Table 8: Procurement methods in Chinese public hospitals

METHOD	FEATURES	PREVALENCE
Tenders	- Organized as an invitation for potential vendors to bid for a project. - Winning bid is determined through a single bidding round	- Procurement of medical equipment and laboratory instruments
eProcurement	- Organized via centralized universal trading and tracking platform - Vendors required to register and submit lowest historical price	- Procurement of pharmaceuticals, medical consumables and laboratory reagents
Competitive Negotiation Tender	- Organized as an invitation for potential vendors to bid for a project - Winning bid is determined after several rounds of price negotiations	- Procurement of medical equipment and laboratory instruments
Centralized Procurement	- Organized as a collective tender process - A general purchasing organization (GPO) represents multiple individual tender publishers	- Procurement of pharmaceuticals, medical consumables and laboratory reagents

Source: Intralink (2020)

Although tenders and competitive negotiation have traditionally been the most common procurement methods in domestic public healthcare, the central government has promoted greater use of eProcurement and centralized procurement in recent years.

The preferred method of procurement varies both by region and by product category. Local governments generally use eProcurement and centralized public procurement for pharmaceutical products and consumables. Hospitals across China primarily hold tenders for procurement of medical equipment and laboratory instruments.

Public Hospital Charging Standards & Price Catalogue

CHARGING STANDARDS

The Catalogue of Medical Services and Price Standards is a basic document regulating public hospitals' scope of activities. It is published by the Commodity Price Bureau, which falls under the authority of the National Development and Reform Commission. Commodity Price Bureau branch offices publish catalogues that cover standards for their own region. Each regional catalogue lists charging standards for medical services offered by public hospitals in the corresponding region.

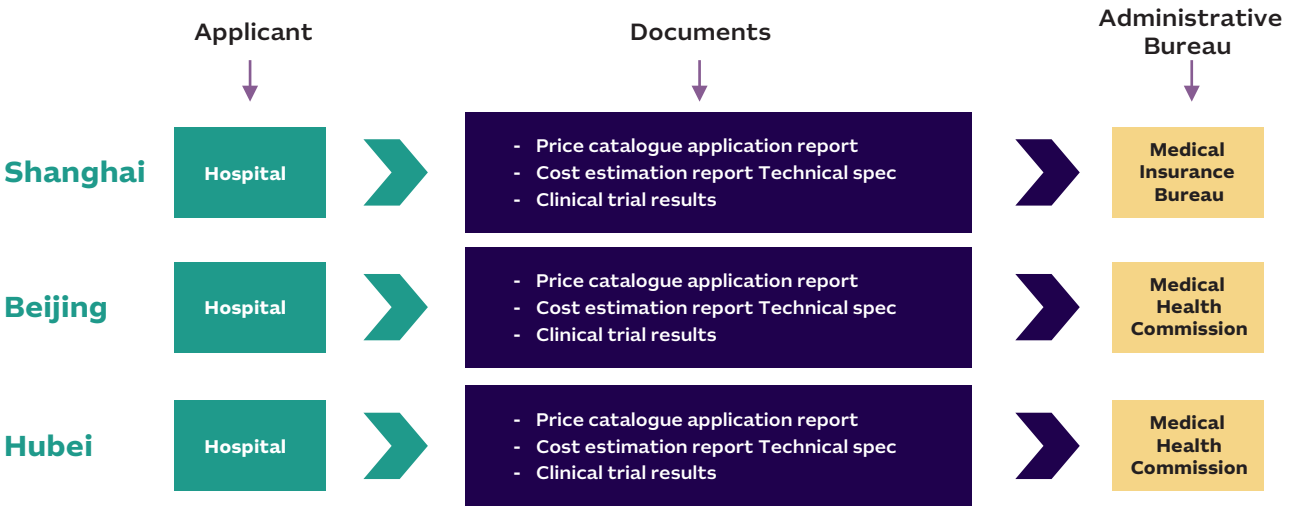
Charging standards vary significantly between different regions. Furthermore, local charging standards can differ between imported and domestically manufactured products. While such policies have protected international brands from lower-priced domestic competitors, regional governments are gradually ending such policies.

Hospitals generally charge patients based on one of two principles – i.e. per cost or per service. In theory, if there exists no charging standard for a test, corresponding products cannot access the domestic market.

PRICE CATALOGUE

To be able to participate in public hospital tenders, products must be first be included in local price catalogues. The application process and relevant administrative bureau varies by region. Inclusion in the local price catalogue generally requires a local hospital to apply on behalf of the supplier. The process itself generally takes 15 workdays. Figure 9 provides an overview of the application process in several key domestic market regions.

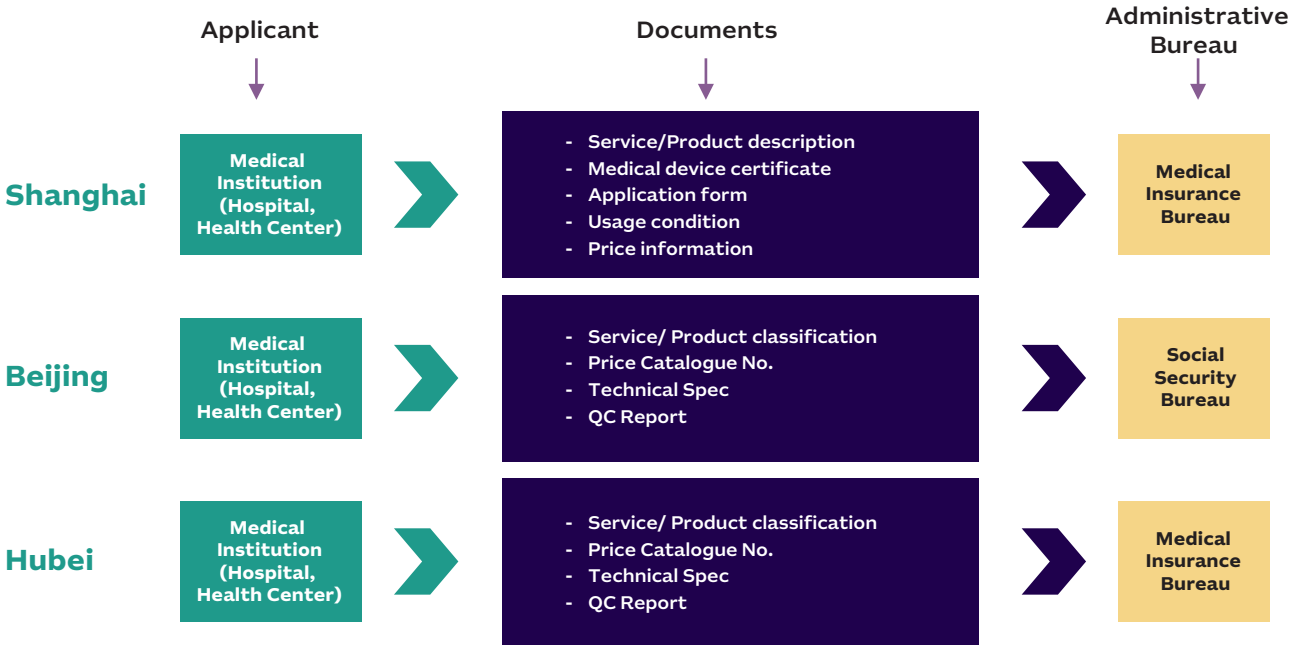
Figure 9: Price catalogue application process



Source: Intralink (2020)

Suppliers also must go through a separate process to achieve coverage under public medical insurance programs. This process also differs by region. In most cases, obtaining local medical insurance coverage requires a medical institution – e.g. hospitals, health centers – to apply on behalf of the supplier. This process generally takes 20 workdays. Figure 10 provides an overview of the application process in several key domestic market regions.

Figure 10: Medical insurance coverage application process



Source: Intralink (2020)

Regulatory Policy & Key initiatives

To strengthen the regulatory framework and increase oversight of the Chinese healthcare industry, the central government has begun introducing various ambitious programs to improve healthcare regulations.

The most noteworthy regulations are those covering the medical products sales and public hospital procurement practices. Three key regulations that have had the largest impact on foreign companies in China include:

1. *The Two-Receipt System*
2. *The Diagnostic-Related Groups-Based Hospital Payment (DRG) System*
3. *The Centralized Bidding Procurement (CBP) System*

TWO-RECEIPT SYSTEM

As of Q2 2020, 30 provinces have implemented the two-receipt systems as a means to mitigate challenges related to both spiraling medical costs and corruption within medical distribution networks. The two-receipt system stipulates that all medical products must be sold directly from a manufacturer to a single distributor, then from that same distributor to a hospital, eliminating many unnecessary third-party distributor fees that are generally passed onto hospitals and patients.

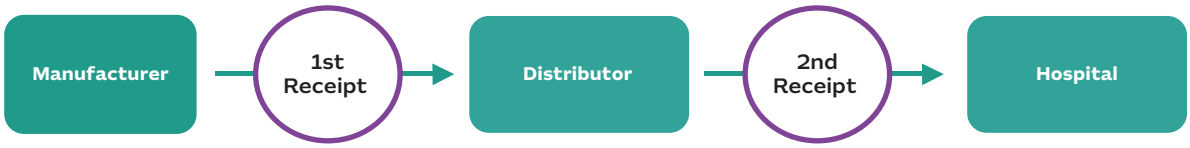
The two-receipt system is a cornerstone of reform that will potentially affect the structure, processes and future development of the entire Chinese healthcare industry. We believe this will lead many small sub-distributors and individual sales representatives to transform into contracted service organisations (CSO) that provide marketing and pre-sales support. Other small distributors will either be acquired by larger distributors/manufacturers or leave the market, while mid-sized and large distributors will seek to merge.

DIAGNOSTIC-RELATED GROUPS-BASED HOSPITAL PAYMENT (DRG) SYSTEM

The Chinese healthcare system currently operates on a fee-for-service system, which is based on per-head pricing. However, the government has recently implemented pilot projects to introduce the DRG system, which provides fixed reimbursement fees to hospitals based on a patient's specific medical condition, regardless of the actual costs incurred.

At present, 30 cities have begun assessing the feasibility of implementing the DRG system, and will officially launch it at the end of 2021. Such steps will significantly change profit sources for public hospitals. Hospitals have traditionally relied on pharmaceuticals as key profit generators, constituting as much as 40 percent of a hospitals' revenue, according to the National Health and Planning Commission.

Figure 11: Two-receipt system



Source: Intralink (2020)

CENTRALIZED BIDDING PROCUREMENT (CBP) SYSTEM

The central government has increasingly promoted use of public bidding procurement systems in China's healthcare industry. The government recognises several kinds of public procurement systems, including tenders, eProcurement, competitive negotiation bidding and centralised bidding procurement (CBP) – *as outlined in Table 8 in the previous section.*

The central government views CBP as a key tool for reforming China's healthcare system. It plans to require all public non-profit healthcare institutions above county level to employ the CBP system. Although CBP pilot programs started in the early 2000's, full implementation of CBP for pharmaceuticals did not start until 2015. In 2017, the State Council extended use of CBP to include high-value medical consumables, testing reagents and large-scale medical equipment.

CBP systems generally require bidders to be a pharmaceutical manufacturer or the exclusive distributors of an imported product. However, some provinces also accept non-exclusive first-tier distributors. The government also encourages collective purchasing through the formation of group purchasing organisations (GPOs) at the municipal or provincial level. GPOs are usually third-party organisations that aggregate demand from various hospitals and other medical service providers. A GPO then leverages its collective purchasing power to negotiate with suppliers and obtain lower prices.

Other forms of collective purchasing include cross-regional joint procurement and hospital union procurements. These different collective purchasing methods are currently being tested across China. Advancement of CBP systems should further increase hospitals' purchasing power when negotiating with suppliers and distributors.

For additional details around the history of the CBP system and the establishment of GPO's, please refer to Appendix E.

HIERARCHICAL MEDICAL SYSTEM

The hierarchical medical system is closely related to the DRG system. Class III hospitals commonly contend with issues related to excessive patient traffic, while Class I and II hospitals often struggle to attract sufficient patient demand. In response, the central government hasincreasingly advocated the formation of medical partnerships to incorporate different classes of hospitals into multi-level regional conglomerates.

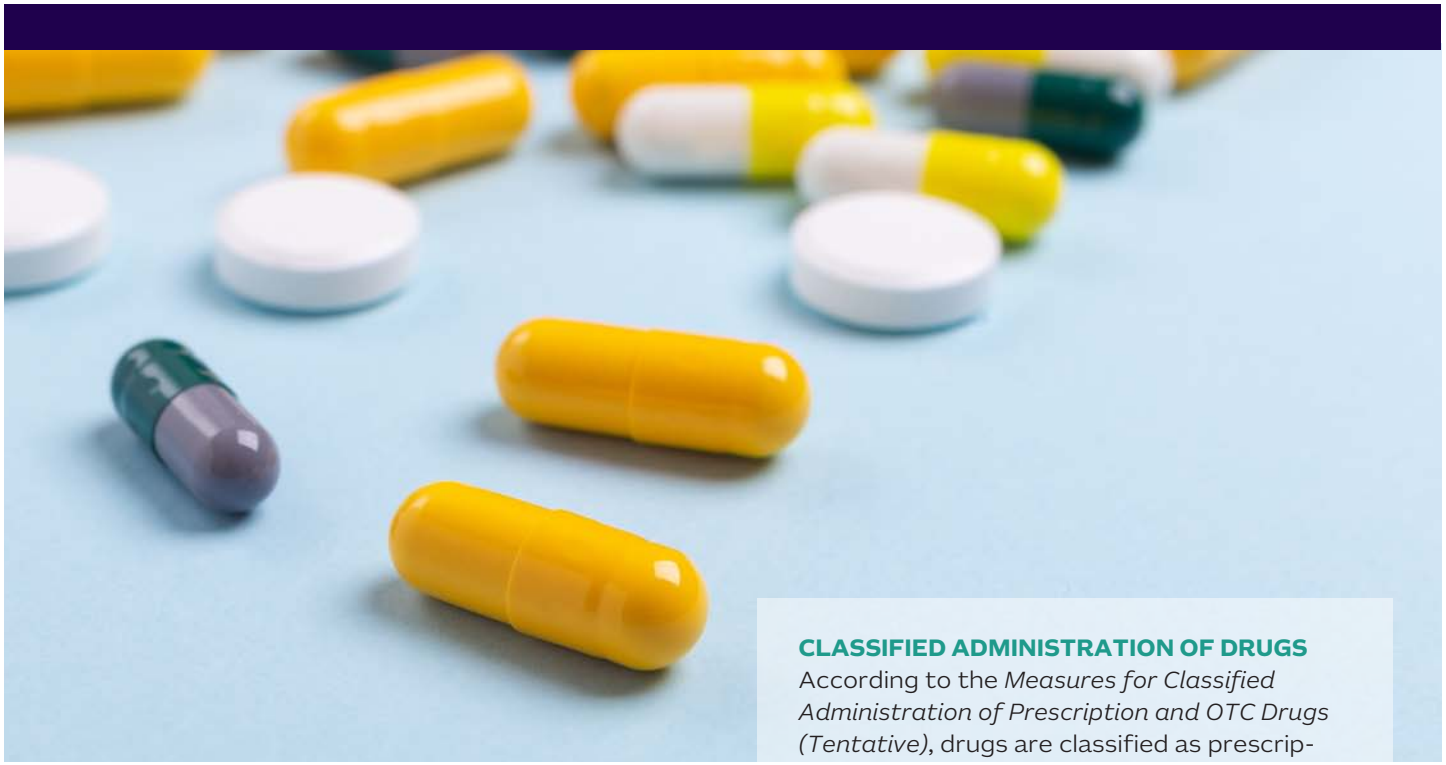
The government aims for Class I hospitals to accommodate patients with common diseases and conditions while Class II and III hospitals focus on special cases and rare diseases. According to the National Health and Planning Commission, approximately 300 pilot projects across China current employ the hierarchical medical system.

POLICIES GOVERNING DRUG DISTRIBUTIONS & ADMINISTRATION

APPROVAL OF DRUG DISTRIBUTORS

According the *Drug Administration Law* (DAL), entities engaging in the wholesale distribution of drugs must seek approval from local drug administrations at provincial, autonomous region or municipal level and obtain a *Drug Distribution Certificate*. Entities engaging in the retail distribution of drugs must seek approval from local drug administrations at county level or above and obtain a *Drug Distribution Certificate*. Those without a *Drug Distribution Certificate* are not allowed to distribute drugs. The certificate must state its validity period and scope of activities, and it must be renewed at expiration.

Drug distributors are also required by law to implement procedures for drug storage and take necessary measures to protect the drugs from heat, freeze, moisture, insects and vermin. The law also stipulates that inspections should be performed on drugs coming into and out of warehouses.



DRUG ADMINISTRATION AT HEALTHCARE FACILITIES

Healthcare facilities are required to employ pharmacists or other pharmacology technicians duly qualified under law, who are responsible for drug administration, prescription review and filling, and for providing guidance in relation to proper medication. Non-pharmacology technicians are forbidden from directly participating in pharmacology-related activities.

Healthcare facilities are required to have a premise, equipment, warehousing facilities and hygiene conditions that corresponds with the drugs being used. They're also required to develop and implement procedures for drug storage and take necessary measures to protect the drugs from heat, freeze, moisture, insects and vermin.

Healthcare facilities that wish to engage in drug compounding must seek approval from local drug administrations at provincial, autonomous region or municipal level and obtain a *Compounding Certificate*. Healthcare facilities without a *Compounding Certificate* are not allowed to engage in drug compounding, nor supplying compounded drugs in the market.

CLASSIFIED ADMINISTRATION OF DRUGS

According to the *Measures for Classified Administration of Prescription and OTC Drugs (Tentative)*, drugs are classified as prescription or OTC, depending on their nature, specifications, indications, dosages and routes of administration. Prescription drugs can only be prepared, purchased and used with a prescription from practicing doctors or assistant doctors. OTC drugs can be purchased and used without prescription. Drugs in China are categorized under Class A or Class B based on their safety level.

Wholesale distributors of prescription and OTC drugs and retailers of prescription and Class A OTC drugs are required to have a *Drug Distribution Certificate*.

Other business entities may retail Class B OTC drugs if approved by local drug administrations at provincial level or their authorized bodies. These entities are required to be staffed with fulltime employees who have received a high school and higher-level education and professional training. They must also have obtained relevant licenses after passing tests organized by local drug administrations at provincial level or by their authorized bodies.

KEY TRENDS & OPPORTUNITIES

Trends

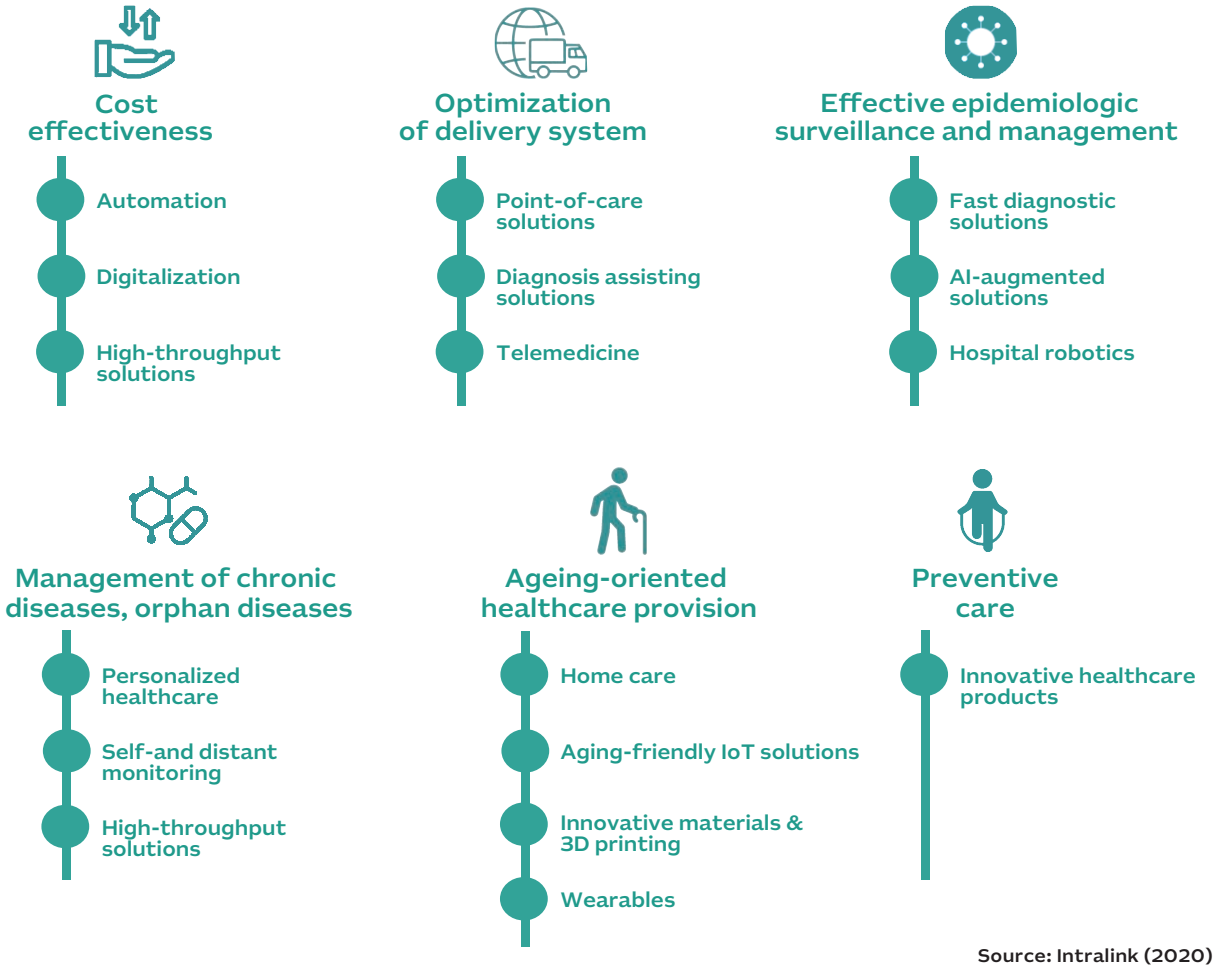
The Chinese government initiatives outlined in Section 4 above, combined with high levels of economic growth, rapid technological developments and other market forces, have spurred several trends in the healthcare sector in China.

Firstly, there is a strong drive for increased cost effectiveness in all healthcare-delivery systems. Secondly, there is a big push for the optimization of delivery systems – highlighted by the government's efforts to steer patients away from hospitals Class III hospitals into Class I and II hospitals. Thirdly, China's increasingly aging population has forced several additional trends – notably increased expenditure on elderly care, and chronic disease management and prevention.

Finally, the Covid-19 epidemic has also prompted the need for effective epidemiologic surveillance and management.

Figure 12 provides an overview of some key trends in the market – it also outlines several attractive product areas under each of these trends.

Figure 12: China Healthcare & medtech market – Trends & related product areas



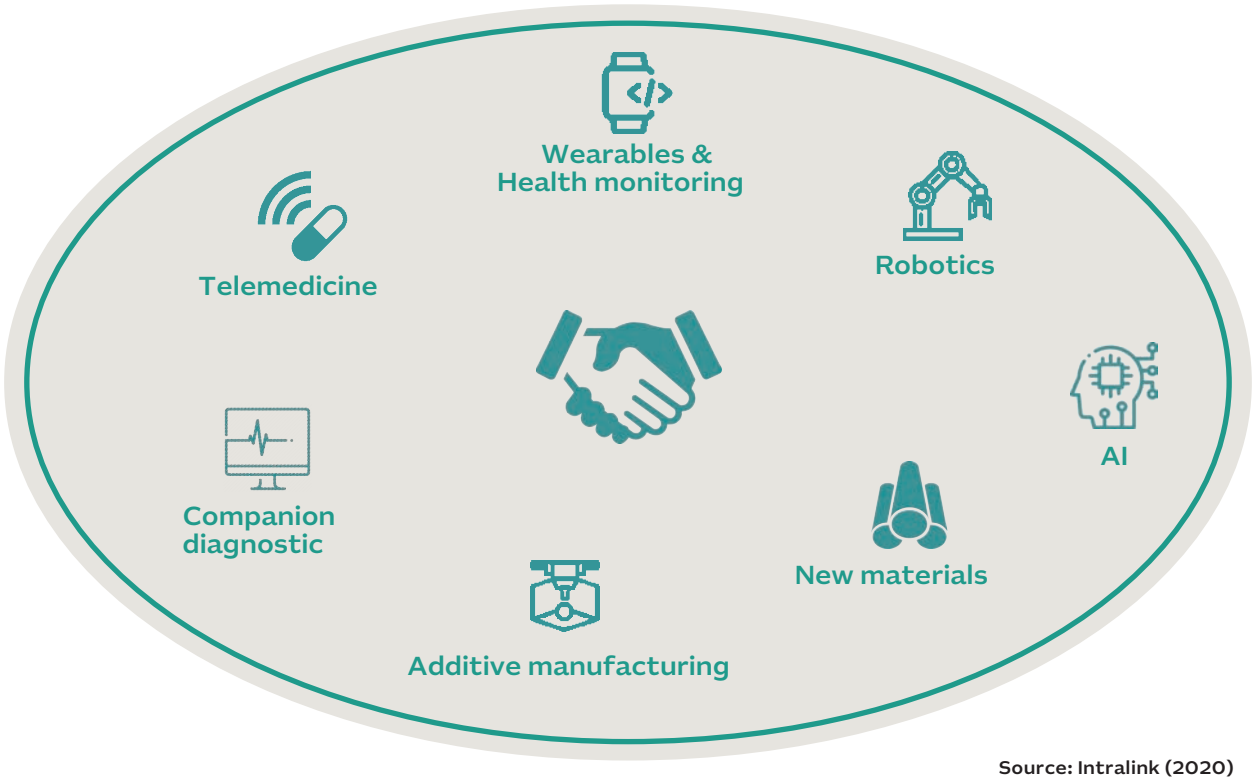
Source: Intralink (2020)

Opportunities

China's healthcare market, characterized by high economic growth, an aging population, increasing digitization, grand regulatory reforms and the ambitious expansion of health insurance, presents strong opportunities for Australian healthcare companies.

In additional to the product areas outlined in Figure 12 above, we see opportunities for Australian companies in the wearables & health monitoring, telemedicine, robotics, artificial intelligence, additive manufacturing, companion diagnostics and new materials sectors.

Figure 13: China Healthcare & medtech market – Areas of opportunity



Source: Intralink (2020)

MARKET ENTRY STRATEGIES

Australian businesses can approach the Chinese market through direct sales from Australia, by appointing a local partner, or by setting up an office in China. This section provides a brief overview of each of these models, and outlines factors to consider for each.

Direct Sales from Australia

The simplest option is direct sales of a particular health solution from Australia into China. The main downside is the lack of local time-zone support. This can be mitigated by using a local agent or business development consultancy, such as Intralink, capable of bridging time-zone, language and cultural gaps without the long-term commitment of local incorporation and hiring. Figure 14 outlines some of the market-specific factors to consider for this market entry model.

Figure 14: Direct Sales Model – Factors to Consider

1. *Do we have a strong differentiator – something that sets us apart from our competitors in the market?*
2. *Do we have a strong track record in other major markets?*
3. *Are we willing to localise the product for the market and/or for local regulations, if necessary?*
4. *Are we ready to provide a Proof of Concept (PoC) at little or no cost to the customer?*
5. *How do we provide after-sales support?*
6. *Do we understand the local regulations, particularly in relation to data?*
7. *Do we need to adjust our business model to adapt?*

Source: Intralink (2020)

Appointing a Reseller or Distributor

A more common way to approach the market is to seek a partnership with an established local company that complements your product, has experience in the target sector and can help navigate the legal environment. A local channel partner can provide services such as certification, registration, pre-sales, sales, consulting, installation, technical training, service maintenance and technical support in the Chinese market. Even large multinationals take this route in the early stages of market entry. Figure 15 outlines some of the market-specific factors to consider for this market entry model.

Figure 15: Appointing a Distributor or Reseller – Factors to Consider

1. *Does the partner already serve the same type of customer as us?*
2. *Does the partner have a good understanding of the market in general and my particular application?*
3. *Does the partner already offer solutions similar or complementary to our offering?*
4. *Is the partner focused on short-term wins or will they be able to drive our business in the long run?*
5. *Does the partner have specific experience with public sector projects?*
6. *Are we comfortable communicating with the local partner and are they transparent with us?*

Source: Intralink (2020)

Establishing a Local Presence

There are broadly three ways of establishing a local presence: (1) a representative office, (2) a wholly-foreign owned enterprise (WFOE) or (3) a joint venture (JV). Setting up a representative office is relatively straightforward, but it can only perform non-profit generating activities in China. Setting up WFOE is a slightly more complicated process, but it allows for sales activities and the exchange of revenues with the head office. Figure 16 outlines some of the market specific factors to consider for this market entry model.

Figure 16: Establishing a Local Presence – Factors to Consider

1. *Is our business generating enough revenue in China to consider a local presence? Note that businesses usually consider establishing a local presence after several years of sales (either direct or through a partner)*
2. *Is China a strategic market for us, either in terms of securing usecases or securing further funding?*
3. *Do we need to engage in profit generating activities?*
4. *Will we transfer staff from our head office or hire local staff?*
5. *What location shall we pick for our local presence? Remember that scouting, negotiating, and conclusion of contracts are time-intensive processes that often are hard to conclude without local support*

Source: Intralink (2020)

APPENDICES

Appendix A: Healthy China 2030 – Objectives, Indicators & Targets

Table 9: Healthy China 2030 – Objectives, indicators & targets

AREA	INDICATOR	TARGET
Health conditions	Average life expectancy (years)	2015: 76.34 2020: 77.3 2030: 79.0
Health conditions	Infant mortality (‰)	22015: 8.1 2020: 7.5 2030: 5.0
Health conditions	Under-5 mortality (‰)	2015: 10.7 2020: 9.5 2030: 6.0
Health conditions	Maternal mortality (‰)	2015: 20.1 2020: 18.0 2030: 12.0
Health conditions	Share urban and rural residents who pass the National Fitness Test (%)	2015: 89.6 (2014) 2020: 90.6 2030: 92.2
Health lifestyle	Residents' health literacy (%)	2015: 10 2020: 20 2030: 30
Health lifestyle	People who exercise regularly (100mm)	2015: 3.6 (2014) 2020: 4.35 2030: 5.3
Health services and insurance	Premature deaths from major chronic diseases (%)	2015: 19.1 (2013) 2020: -10% vs 2015 2030: -30% vs 2015
Health services and insurance	Practicing (assistant) physicians per 1,000 permanent residents	2015: 2. 2020: 2.5 2030: 3.0
Health services and insurance	Personal out-of-pocket expenses as a percentage of total health expenses (%)	2015: 29.3 2020: 28 2030: ~25
Healthy environment	Days of good air quality in cities per year (%)	2015: 76.7 2020: >80 2030:continued improvement
Healthy environment	Water bodies with surface water quality at or above Class III (%)	2015: 66 2020: >70 2030:continued improvement
Health industries	Total size of health service industries (RMB 1tn)	2015 - 2020: >8 2030: 16

Source: The State Council - Healthy China 2030 Outline

Appendix B: National Health Policies in China (2015-2020)

Table 10: National health policies in China (2015-2020)

TITLE	REFERENCE
Notice of General Office of the State Council on Issuing the National Healthcare Service System Plan (2015-2020)	GBF (2015) No. 14
Opinions of General Office of the State Council on Nationwide Rollout of Comprehensive County-level Public Hospital Reforms	GBF (2015) No. 33
Notice of General Office of the State Council on Issuing the 2014 Work Summary and 2015 Priorities for Deepening Pharmaceutical and Health System Reforms	GBF (2015) No. 34
Guiding Opinions of General Office of the State Council on Pilot Reforms of Urban Public Hospitals	GBF (2015) No. 38
Notice of General Office of the State Council on Issuing Several Measures to Accelerate Development of Private Hospitals	GBF (2015) No. 45
Guiding Opinions of General Office of State Council on Promoting a Hierarchical Medical System	GBF (2015) No. 70
Opinions of the State Council on Integrating Basic Medical Insurance Schemes for Urban and Rural Residents	GF (2016) No. 3
Notice of General Office of the State Council on Issuing the 2016 Priorities for Deepening Pharmaceutical and Health System Reforms	GBF (2016) No. 26
Notice of the State Council on Issuing the "13th Five-Year" Plan for Deepening Pharmaceutical and Health System Reforms	GF (2016) No. 78
Notice of the State Council on Issuing the "13th Five-Year" Health Plan	GF (2016) No. 77
Notice of General Office of the State Council on Issuing China's Medium- to Long-term Chronic Disease Prevention and Treatment Plan (2017-2025)	GBF (2017) No. 12
Guiding Opinions of General Office of the State Council on Promoting Construction and Development of Integrated Care Organizations	GF (2017) No. 32
Opinions of General Office of the State Council on Supporting Private Players to Provide Multi-Layered and Diverse Healthcare Services	GBF (2017) No. 44
Opinions of General Office of the State Council on Reforming and Improving the Incentive Mechanism for Training and Employment of Physicians	GBF (2018) No. 3
Notice of General Office of the State Council on Issuing the 2018 Priorities for Deepening Pharmaceutical and Health System Reforms	GBF (2018) No. 83
Opinions of General Office of the State Council on Strengthening Performance Review of Grade 3 Public Hospitals	GBF (2019) No. 4
Notice of General Office of the State Council on Issuing the 2019 Priorities for Deepening Pharmaceutical and Health System Reforms	GBF (2019) No. 28

Source: The State Council - Healthy China 2030 Outline

Appendix C: URRBMI Contributions Per Capita – Examples

Table 11: 2020 URRBMI contributions per capita in Beijing

BENEFICIARIES	CONTRIBUTION FROM FISCAL BUDGET (RMB/YEAR)	CONTRIBUTION FROM INDIVIDUALS (RMB/YEAR)	TOTAL CONTRIBUTION (RMB/YEAR)
Seniors	4180	300	4480
Students/Children	1610	300	1910
Working-age Residents*	2150	520	2670

* Males ages between 16-60, and females ages between 16-50

Source: Beijing Municipal Medical Insurance Bureau

Table 12: 2020 URRBMI contributions per capita in Shanghai

BENEFICIARIES	CONTRIBUTION FROM FISCAL BUDGET (RMB/YEAR)	CONTRIBUTION FROM INDIVIDUALS (RMB/YEAR)	TOTAL CONTRIBUTION (RMB/YEAR)
70 years old or above	6030	430	6460
60-69 years old	5860	600	6460
19-59 years old	2690	790	3480
School pupils, children and infants	1605	155	1760
College students	335	155	490

Source: Shanghai Municipal Medical Insurance Bureau

Appendix D: OPD Reimbursement Example – Shanghai & Beijing

Table 13: OPD/Emergency reimbursement rules for UEBMI in Beijing

BENEFICIARIES	DEDUCTIBLE (RMB)	CAP (ANNUAL) (RMB)	REIMBURSEMENT RATE	
			COMMUNITY HEALTHCARE FACILITIES	OTHER DESIGNATED FACILITIES
Working	1800			70&
Retired (Under 70)		20,000	90%	85%
Retired (70 or above)	1300			90%

Source: Beijing Municipal Medical Insurance Bureau

Table 14: OPD/Emergency reimbursement rules for URRBMI in Beijing

FACILITY	DEDUCTABLE (RMB)	CAP (RMB)	REIMBURSEMENT RATE
Designated Healthcare Facilities (Grade 1 or Below)	100		55%
Designated Healthcare Facilities (Grade 2 or Above)	550	3000	50%

Source: Beijing Municipal Medical Insurance Bureau

Table 15: OPD/Emergency reimbursement rules for UEBMI in Shanghai

BENEFICIARIES		CLASS I HOSPITALS (Community Health Service Centres)	CLASS II HOSPITALS	CLASS III HOSPITALS
	Deductible		RMB 1,500	
Working	Under 44	65%	60%	50%
	45 or Above	75%	70%	60%
	Deductible		RMB 700	
Retired	Under 69	80%	75%	70%
	70 or Above	85%	80%	75%

Source: Shanghai Municipal Government

Table 16: OPD/Emergency reimbursement rules for URRBMI in Shanghai

BENEFICIARIES	DEDUCTIBLE	REIMBURSEMENT RATE		
		Community Health Service Centres (Class I Healthcare Facilities)	Class II Healthcare Facilities	Class III Healthcare Facilities
60 or Above	RMB 300			
19 - 59	RMB 500	70%	60%	50%
School Pupils, Children and Infants	RMB 300			

Source: Shanghai Municipal Government

Appendix E: History of GPO Policy

HISTORY OF GBP POLICY

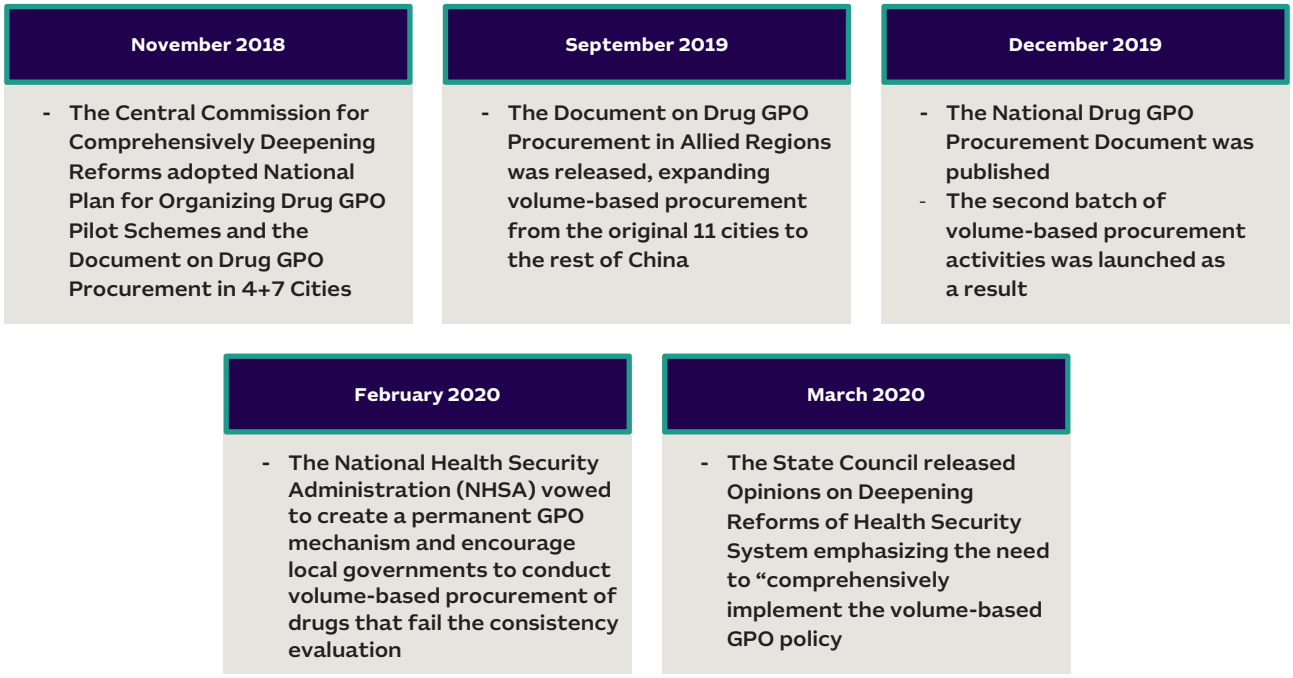
In 2009, the Ministry of Health (MOH), the National Development and Reform Commission (NDRC) and other four ministries jointly released the *Notice on Issuing Opinions for Further Regulation of Drug GPO Procurement by Healthcare Facilities*, which brought China's GPO policy into a new chapter. According to the Notice,

"GPO activities by healthcare facilities should be organized and conducted at provincial (district/municipal) level. All non-for-profit healthcare facilities sponsored by governments or state-controlled and state-owned enterprises (SOEs) at or above county level must participate in GPO procurement practices. Other healthcare facilities are encouraged to participate. GPO procurement should give due consideration to the clinical needs of different healthcare facilities at various levels. In principle, GPO procurement is conducted annually. Provinces (districts/municipalities) are required to develop their own list of GPO drugs. GPO procurement of drugs included in the national essential drug list are subject to rules applicable to essential drugs. Several types of drugs, including Class II drugs for mental illness that are under special regulation, toxic drugs for medical use and radiative drugs, as well as TCM materials and prepared TCM drugs, are excluded from the GPO list. Except for these, all other drugs used by healthcare facilities must be included into the GPO list. Drugs on the GPO list are purchased through open tender, online auction, centralized negotiation or direct online procurement (including at prices determined by the government). The exact drugs covered by each instance of GPO procurement are decided by competent authorities at provincial level."

After the release of this Notice, provinces and municipalities launched their GPO programmes as required. In 2015, the General Office of the State Council issued the *Guiding Opinions on Improving Drug GPO Procurement by Public Hospitals*, which reiterated the focus on online GPO activities at provincial level through one centralized platform to ensure coordinated, open, transparent and category-based procurement. In 2017, the General Office of the State Council issued *Several Opinions on Further Improving Policy Governing Production, Distribution and Use of Drugs*, which highlighted the need to "enhance the drug procurement mechanism; implement category-based procurement; set science-based criteria following the principles of openness, transparency and fair competition; and further increase the participation of healthcare facilities in GPO efforts. Different regions and specialty hospitals are encouraged to conduct GPO procurement together. For regions that have completed the reform in medical insurance payments or have developed payment standards for insurance-covered drugs, public hospitals are allowed to jointly carry out volume-based and budget-based procurement on a centralized GPO website at provincial level." This document laid a strong foundation for subsequent progress in volume-based procurement.

Figure 17 provides an overview of the major milestones in the development of volume-based procurement policy in China.

Figure 17: Milestone in China's volume-based procurement journey



Source: The State Council - Notice on Centralized Drug Procurement Pilot Program

HISTORY OF VOLUME-BASED PROCUREMENT OF CONSUMABLES

To regulate the procurement of high-value medical consumables, the MOH released the *Plan for GPO Procurement of High-Value Medical Consumables by Healthcare Facilities in eight Provinces and Cities* in August 2004. It decided to launch pilot GPO schemes for high-value consumables (cardiac intervention, pacemaker, artificial hip and knee joint) among the Class II healthcare facilities in four municipalities (Beijing, Shanghai, Tianjin and Chongqing) and the capitals of four provinces (Guangdong, Zhejiang, Liaoning and Hubei). These pilot schemes provided experience for a nationwide rollout.

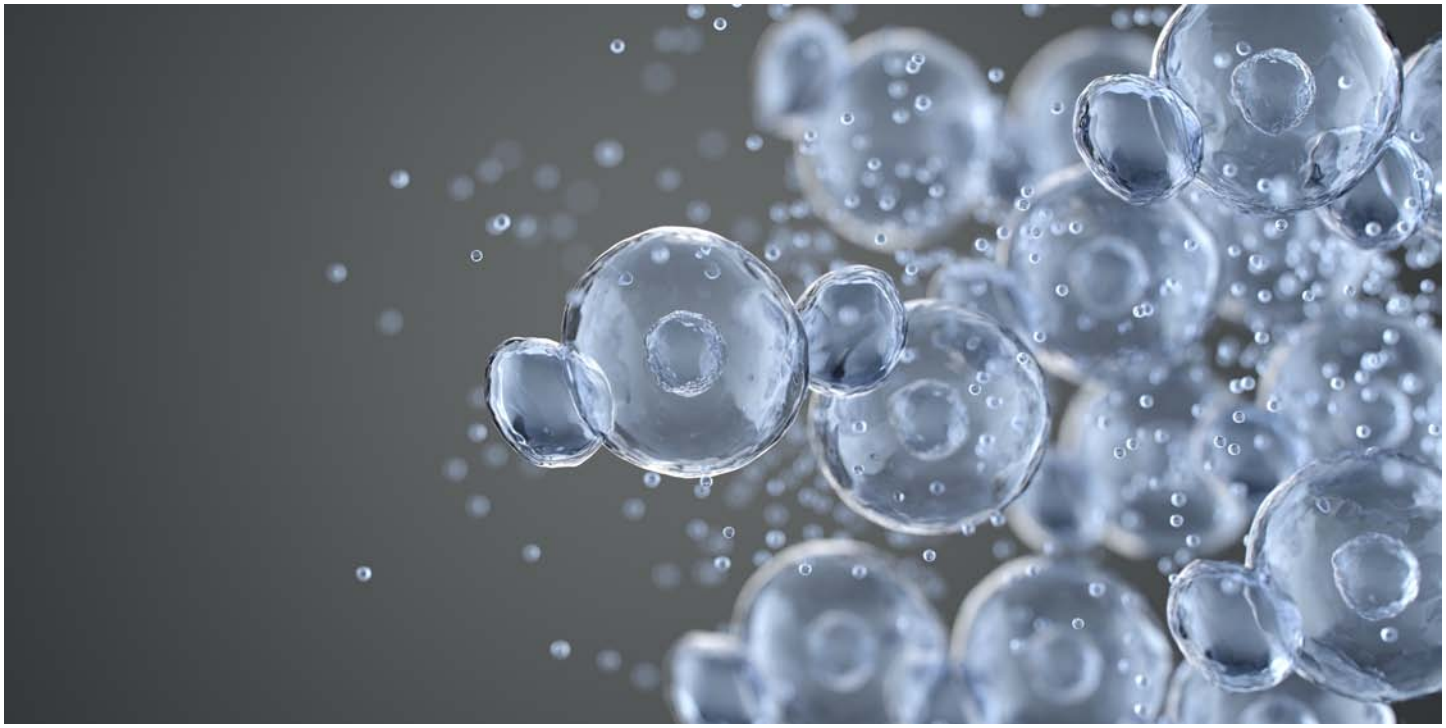
In January 2008, the MOH issued the *Notice on Conducting GPO Procurement of High-Value Medical Consumables*, and organized GPO procurement for four categories of high-value consumables, including cardiac (coronary) intervention, peripheral (neural) vascular intervention, pacemaker and electrophysiology. With the launch of a new medical reform plan in 2009, GPO procurement of consumables stopped after the 2008 cycle ended.

In 2012, *Rules for GPO Procurement of High-value Medical Consumables (Tentative)* were published to guide future activities. According to these Rules, "qualified non-for-profit healthcare facilities sponsored by governments or SOEs at or above county level must participate in GPO procurement of high-value medical consumables. Other qualified healthcare facilities are encouraged to participate on a voluntary basis. GPO Procurement of high-value medical consumables are organized online by governments at provincial (district/municipal) level. Healthcare facilities and consumable producers must engage in the procurement process through the GPO platform of the province (district/municipality) to facilitate centralized organization and centralized supervision. Steps may be taken to explore joint GPO procurement across multiple provinces (districts/municipalities). A GPO cycle lasts two years in principle. Efforts to add new products into GPO procurement should take less than one year."

Since then, GPO procurement of high-value medical consumables at provincial level has been advancing steadily, with the expansion of the list of products and the geographical coverage and continued innovation. The "4+7 Scheme" in 2018 marked the beginning of volume-based procurement of consumables.

In 2019, the General Office of the State Council issued the *Notice on Reforming Governance of High-Value Medical Consumables*, which required "all public healthcare facilities to pursue open and transparent procurement of high-value medical consumables through a centralized platform. For high-value medical consumables that are frequently used in large quantities in clinical practice and available from multiple producers, facilities are required to take steps to explore category-based GPO procurement; and healthcare facilities are also encouraged to jointly conduct volume-based procurement through negotiations; and different provinces may also form alliances for the purpose of procurement."

In 2020, the State Council released *Opinions on Deepening Reforms in Health Security System*, which proposed to "further deepen the reform in volume-based GPO procurement of drugs and medical consumables. In the comprehensive rollout of volume-based GPO procurement for drugs and medical consumables, it is essential to ensure the tender requester is also the procurer, and that prices are linked to quantities."



Reference	Author	Publishing Date	Title	Publisher Details	Accessed Date
Figure 1	Intralink	8 August 2021	Healthcare in China-Key Numbers	Intralink	29 August 2021
Figure 2	Intralink	8 August 2021	Healthcare Expenditure in China	Intralink	29 August 2021
Table 1	National Health Commission	17 January 2020	Healthcare Service in China from January to November 2020	National Health Commission	30 August 2021
Table 2	National Health Commission	27 May 2020	Total Number of Healthcare Facilities in China Until March 2020	National Health Commission	30 August 2021
Figure 3	National Health Commission	18 July 2020	Opinion Paper on The Implementation of Classification Management of Urban Healthcare Facilities	National Health Commission	30 August 2021
Figure 4	National Health Commission	29 August 1994	Implementation of the Regulations on the Management of Healthcare Facilities	National Health Commission	30 August 2021
Figure 5	National Health Commission	29 August 1994	Implementation of the Regulations on the Management of Healthcare Facilities	National Health Commission	30 August 2021
Figure 6	Beijing Municipal Health Commission	N/A	Approval of Establishing Healthcare Facilities in Beijing	Beijing Municipal Health Commission	30 August 2021
Table 3	National Health Commission	29 November 1989	Measures of Hierarchy Management of Healthcare Facilities	National Health Commission	30 August 2021
Table 4	National Health Commission	20 August 2018	Evaluation of Healthcare Facilities	National Health Commission	30 August 2021

Health China 2030 Plan	The State Council	25 October 2016	Healthy China 2030 Outline	The State Council	30 August 2021
Table 5	The State Council	25 October 2016	Healthy China 2030 Outline	The State Council	30 August 2021
Table 6	The State Council	25 October 2016	Healthy China 2030 Outline	The State Council	30 August 2021
Figure 7	The State Council	12 January 2016	Opinion Paper on Basic Medical Insurance System	The State Council	31 August 2021
Table 7	National Health Security Administration	17 June 2017	Notice of Management of New Urban-rural Basic Medical Insurance	NHSA	31 August 2021
	National Health Security Administration	19 January 2021	National Medical Insurance Benefits List	NHSA	31 August 2021
Figure 8	National Medical Products Administration	12 May 1999	Management of Urban Employee Basic Medica Insurance	NMPA	31 August 2021
Table 8	Intralink	8 August 2021	Procurement Methods in Chinese Public Hospitals	Intralink	29 August 2021
Figure 9	Intralink	8 August 2021	Price Catalogue Application Process	Intralink	29 August 2021
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Figure 11	Intralink	8 August 2021	Two-receipt System	Intralink	29 August 2021
Figure 12	Intralink	8 August 2021	China Healthcare & Medtech Market - Trends & Related Product Areas	Intralink	29 August 2021
Figure 13	Intralink	8 August 2021	China Healthcare & Medtech Market - Areas of Opportunity	Intralink	29 August 2021

Figure 14	Intralink	8 August 2021	Direct Sales Model - Factors to Consider	Intralink	29 August 2021
Figure 15	Intralink	8 August 2021	Appointing a Distributor or Reseller - Factors to Consider	Intralink	29 August 2021
Figure 16	Intralink	8 August 2021	Establishing a Local Presence - Factors to Consider	Intralink	29 August 2021
Table 9	The State Council	25 October 2016	Healthy China 2031 Outline	The State Council	30 August 2021
Table 10	The State Council	25 October 2016	Healthy China 2031 Outline	The State Council	30 August 2021
Table 11	Beijing Municipal Medical Insurance Bureau	11 November 2019	Notice of Adjusting the Financing Standards and Related Policies of New Urban-rural Basic Medica Insurance	Beijing Municipal Medical Insurance Bureau	31 August 2021
Table 12	Shanghai Municipal Medical Insurance Bureau	25 November 2019	Notice of Items Related to New Urban-rural Basic Medica Insurance in 2020	Shanghai Municipal Medical Insurance Bureau	31 August 2021
Table 13	Beijing Municipal Medical Insurance Bureau	N/A	Urban Employee Basic Medica Insurance Benefits in Beijing	Beijing Municipal Medical Insurance Bureau	31 August 2021
Table 14	Beijing Municipal Medical Insurance Bureau	13 December 2017	New Urban-rural Basic Medica Insurance Benefits in Beijing	Beijing Municipal Medical Insurance Bureau	31 August 2021
Table 15	Shanghai Municipal Government	14 October 2013	Management of Urban Employee Basic Medical Insurance in Shanghai	Shanghai Municipal Government	31 August 2021

Table 16	Shanghai Municipal Government	14 October 2013	Management of Urban Employee Basic Medical Insurance in Shanghai	Shanghai Municipal Government	31 August 2021
Figure 17	The State Council	17 January 2017	Notice of National Centralised Procurement and Usage of Drugs in China	The State Council	31 August 2021

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